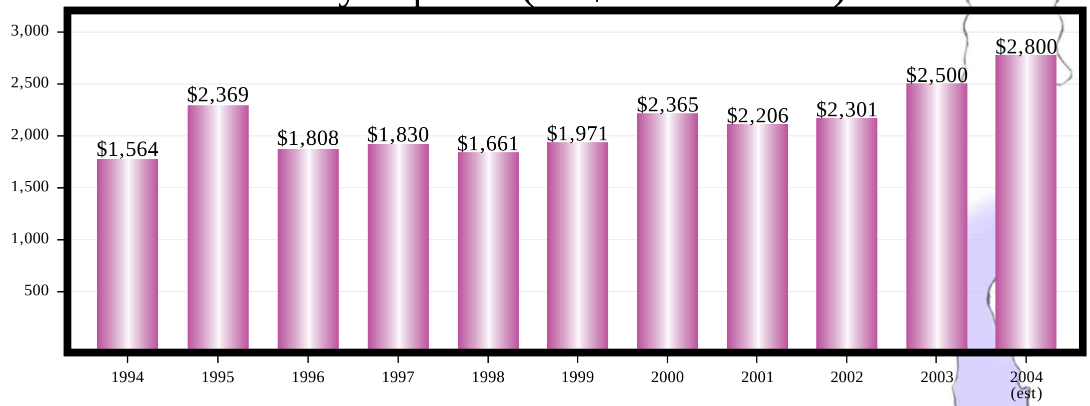
Forestry Sector

Chile's non-native commercial plantations — the world's largest — represent 90% (2.1 million hectares) of its total forestry production.

Market Overview

- More than 70% of Chile's forestry sector output is destined for export. Chilean forestry sector exports totaled US$2.5 billion in 2003, representing a 9% increase over the previous year. For 2004, exports are expected to be US$2.8 billion.
- Forestry is the second largest Chilean export sector after mining, representing 13% of the country's total exports and equivalent to 3.8% of Chile's GDP.
- The development of Chile's forestry sector is due primarily to the success of plantations, mostly radiata pine (75%) and eucalyptus (18.8%). Both species reach adulthood in a much shorter period than comparable species in other countries, providing a competitive edge to Chile.
- According to the Chilean Forestry Institute (INFOR), the current production of 25 million m^3/harvest per year will double by the year 2025.
- Chile has leveraged its success with plantations by investing in its secondary processing industry such as finger-joint stock, moldings, edge-glue panels, doors and doorframes, which have increased in value six-fold over the past decade, while the value of primary wood products has doubled.

Chilean Forestry Exports (US$ FOB Million)



Source: The Chilean Forestry Institute

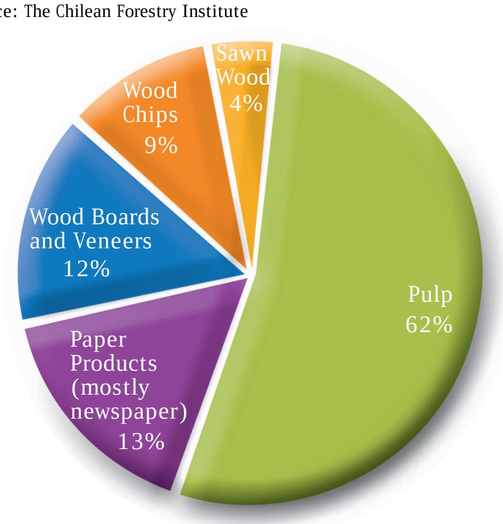
Annual Coniferous Growth Rate

Country	Growth Rate (M^3/ha/yr)
Chile	24
New Zealand	20
United States	3
Sweden	2.9
Canada	2.2

Source: The Chilean Forestry Institute

Main Exported Products

Source: The Chilean Forestry Institute



U.S. Position

- The U.S. is the primary market for Chilean forestry exports, totaling US$622 million (27% market share) in 2002 and US$636 million in 2003. The U.S. ranks third in forestry raw materials exports to Chile, totaling US$57.3 million in 2002 and approximately US$50 million in 2003. Accumulated between 1974 and 2002, the materialized U.S. investment in the Chilean forestry sector was US$85.1 million.
- Most U.S. forestry imports from Chile are value-added products such as moldings, shop lumber and furniture.
- Leading forestry companies from the U.S. with a presence in Chile include Louisiana Pacific, Simpson Timber, International Paper, and Scott Paper. Additionally, there is financial participation from the US-based RII-UBS and Xyem pension funds.

Competitors

- Brazil (US$2.6 billion forestry exports in 2002), Chile and, to a lesser extent, Mexico and Argentina are the main forestry countries in the Latin American Region. Others, such as Uruguay, Colombia and Peru, have carried out long term efforts to strengthen their forestry sectors. Worldwide, Canada (US$22.5 billion exports in 2002) and New Zealand are the most important competitors of the Chilean forestry industry.
- There are five major Chilean–owned companies in the Chilean forestry sector. Each of these companies has invested in different sub-sectors of the industry.
  - 1. Arauco Group
  - 2. Compañía Manufacturera de Papeles y Cartones (CMPC)
  - 3. Masisa
  - 4. Forestal Copihue
  - 5. Forestal Terranova

Principal Sub Sector

- Pulp
- Paper
- Wood Boards and Veneers
- Wood Chips
- Sawn Wood

Commercial Opportunities

- According to CORMA (Chilean Wood Corporation), US$4 billion of investment in the forestry sector is slated through the year 2010 with 75% of this targeting the pulp and paper segment. Also included are sawmills with US$200 million and panel and veneer mills with US$130 million worth of investment.
- Chilean forestry raw material imports from the U.S. are expected to increase due to the imminent start-up of new paper and cardboard recycling plants that will require these raw materials in their manufacturing processes.
- In terms of capital goods imports, the most significant relate to the importation of chippers, saws, harvesters, fire fighting and fire prevention equipment, dry kilns, and pulp and paper equipment. Many of the larger forestry companies in Chile are in the process of expanding their saw mills, pulp plants, particle board and veneer mills.
- Technology Trends: improved OSB fabrication techniques; introduction of Statistical Process Control to improve consistency of raw materials in the fabrication process; increased focus on certification (ISO 9000 and 14001).
- The US-Chile Free Trade Agreement ensures the tariff-free entry of most forest products.
- Chile's largest forestry trade show is Expocorma, a biennial event next held in November 2005 (see www.expocorma.cl).

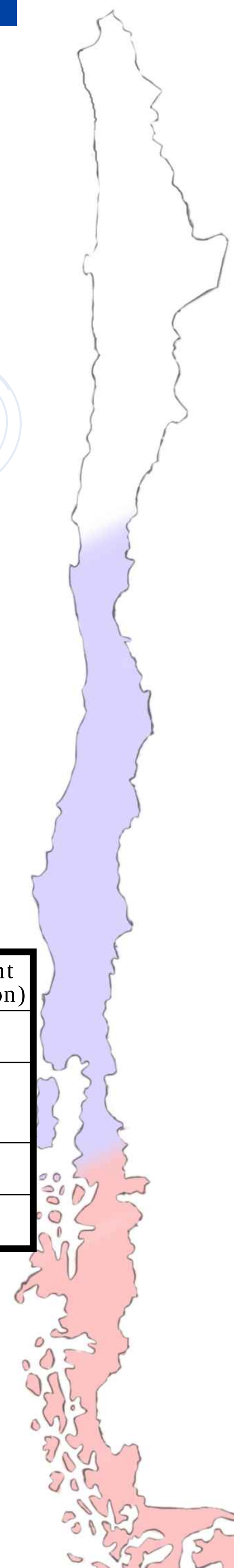
Important New Projects

Project	Owner	Completion	Investment (US$ Million)
Mariquina Pulp Plant, Valdivia (X Region)	Arauco	2004	1,500
Itata Pulp Industrial Complex, Chillán (VIII Region)	Arauco	2010	1,400
Eucalyptus Pulp Mill, Nacimiento (VIII Region)	CMPC	2005	700
Pulp Mill, Santa Fe (VIII Region)	CMPC	2010	800

Source: Capital Goods Technology Development Coorporation (CBC)

Other Resources

- U.S. Commercial Service, Western Hemisphere Team Liaison: Susan Berry: Susan.Berry@mail.doc.gov
- Forestry Institute: www.infor.cl
- Wood Industrialists Association: www.corma.cl
- Forestry Magazine Publication: www.lignum.cl
- Chilean Wood Corporation: www.corma.cl



CONTACT US

We hope that you find this information useful. If you would like further information, please contact Patricia.Jaramillo@mail.doc.gov, the CS Santiago Forestry Specialist. Visit our website (www.buyusa.gov/chile) to discover other commercial opportunities in Chile. (February, 2004)

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